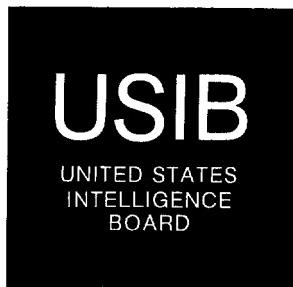
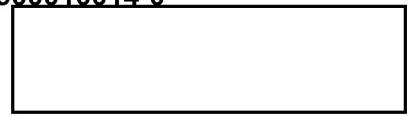


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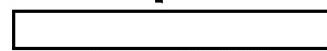


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State Dept. review completed

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CHINA

The official announcement of the death of Chinese Premier Chou En-lai yesterday morning appears to have been received calmly. Chou's long illness and gradual withdrawal from affairs of state had prepared the Chinese public for the moment of his death. He will be succeeded as premier by Teng Hsiao-ping, now China's first vice premier, who has been fulfilling most of Chou's former duties for well over a year.

Chou's physical decline apparently began in 1972 and the 10th party congress, which met in August 1973, probably was convened in part to work out arrangements for his eventual replacement. Public indications that he was ill surfaced almost two years ago, when the premier began to curtail his public activities. Chou entered a hospital in June of 1974, emerging briefly on only two occasions. He probably entered the terminal phase of his illness—now officially confirmed to have been cancer—in September 1975, when he ceased to receive visitors even in his hospital suite.

The fact that Teng has already been managing the Chinese state on a day-to-day basis should make the formal transition to the post-Chou era relatively painless. No immediate policy changes as a result of the premier's demise are likely. Indeed, the Chinese can probably count their management of the transition as one of their major successes of the past year and a half.

In addition to carrying out his formal duties as Chou's stand-in, Teng Hsiao-ping has, over the past year, moved vigorously to consolidate his authority over the state, party, and army bureaucracies—he holds important military and party posts as well as that of ranking vice premier—by appointing close associates to key jobs in each hierarchy. Teng, however, lacks the overwhelming prestige and even affection accorded to Chou by the Chinese public and by many officials of the regime.

As one of the most prominent victims of the Cultural Revolution, his past record is at least somewhat vulnerable. Teng's gradual reassumption of power over the past three years has presumably been resented by party elements closely associated with the policies of the Cultural Revolution. This resentment is unlikely to abate fully any time soon.

Teng has a well-deserved reputation as an efficient administrator, but he does not seem to possess to the same degree Chou's talents for conciliation and compromise. He almost certainly lacks the broad vision as well as the depth of varied

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experience possessed by Chou, who had remained uninterruptedly at the highest levels of the Chinese Communist Party since its founding in 1921—a record that even surpasses that of Mao himself. Teng does appear to retain the confidence of Mao Tse-tung.

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Although Chou has not been managing the day-to-day affairs of state for the past year and a half, he almost certainly played an important advisory role in the decision-making process until the terminal phase of his illness totally incapacitated him last autumn. This advice, and the vast experience that lay behind it, is now lost to China, and its absence over time is likely to have a subtle effect on the shape and flexibility of Chinese policies, both domestic and foreign. For example, although Teng Hsiao-ping appears to accept fully the rationale that led to Peking's partial rapprochement with Washington, one of the two men who initiated the policy and whose prestige was deeply bound up with its success has now been removed permanently from the scene.

Chou's demise, although fully expected, underlines the age and uncertain health of other top leaders of the Chinese regime, particularly that of Mao himself, who turned 82 two weeks ago and who is obviously frail. Two and possibly three other members of the Chinese Politburo are also either feeble or in uncertain health. Chou is the second party vice chairman to die in less than a month and the third member of the Politburo standing committee to die in less than a year. Peking may soon find it necessary to reconstitute the party's top leadership by moving up several second-ranking figures. Chou's death highlights the fact that China has now moved well into the transition period toward a new generation of leaders.

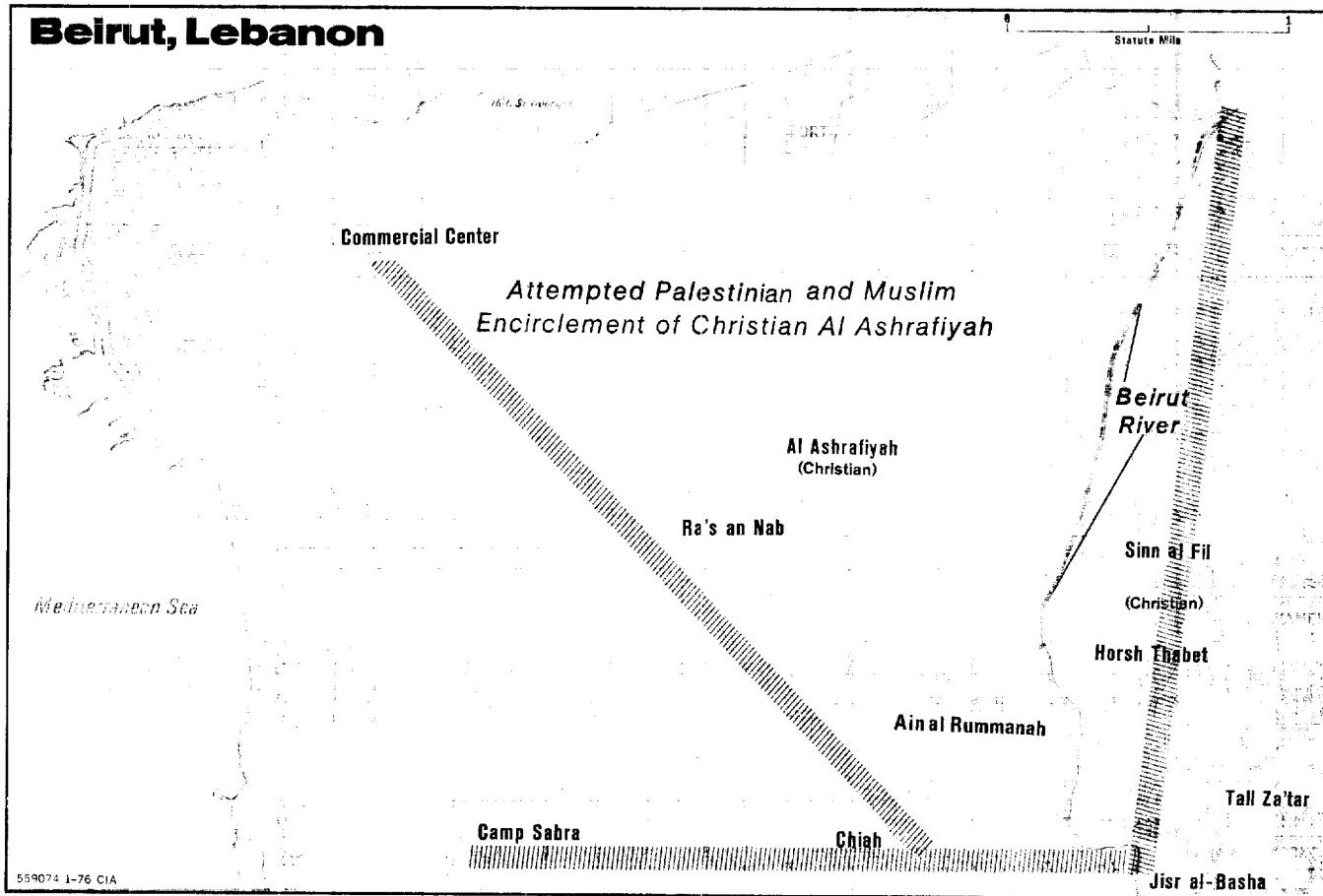
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LEBANON

No progress is being made in efforts to negotiate an end to the heavy fighting in Beirut. The cabinet and parliament have been unable to meet this week, and the Palestinians and Lebanese Muslims are boycotting meetings of the "higher coordination committee" in order to protest the Christian blockade of two Palestinian refugee camps.

An unofficial meeting of the coordination committee—the extra-governmental body that has regularly brought leaders of the warring factions together—was held late Wednesday night, but failed to act on cease-fire proposals made by a liberal Christian cabinet member. Neither the right-wing Christians nor the Palestinians showed any signs of willingness to compromise.

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Some units of the government's internal security force and the Lebanese army have been drawn into the fighting, partly against their will.

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Christians in the government are pushing for greater use of the army, but as usual this is being resisted by Karami. Even if the army were brought in, it could not redress the imbalance being created by the growing Palestinian involvement. According to press reports, the Palestinian news agency has for the first time acknowledged that a "broad spectrum" of Palestinian forces is involved in the fighting.

The US embassy reports that on Wednesday a force of some 1,200 Palestinians and leftists was attempting to open a road into Tall Zatar and Jisr al-Basha camps by attacking the Christian areas of Horsh Thabet and Sinn al Fil. The embassy believes that the large Palestinian units were still being held back at that time.

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Lebanese army and security forces have suffered casualties in the Sinn al Fil clashes, but appear to be attempting only to keep the private militias apart. We cannot confirm Palestinian charges that government forces are fighting on the side of the Christians. The Christians admit to losing some ground, however, and government units may have attempted to stand in the way of the Palestinian advance.

Lebanese leftists claim to have made some gains in the Christian Ain al-Rummanah area, and along a line running from the Ras an Nab quarter to Beirut's commercial center. These claims cannot all be corroborated, but they do confirm Christian charges that the Palestinians and leftists are attempting to surround Christian al Ashrafiyah and prevent resupply of the enclave from larger Christian areas farther from the city center.

Pro-Palestinian newspapers threatened early this week that the fedayeen would blockade al Ashrafiyah if the Christians continued to prevent Palestinian access to the disputed refugee camps.

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OAU

Foreign ministers of the Organization of African Unity met for less than three hours yesterday in Addis Ababa in public session in preparation for the emergency OAU summit on Angola that begins on Saturday. According to a spokesman for the OAU secretariat, the ministers nonetheless agreed on an agenda to be presented to the summit. The same spokesman said, however, that the ministers would continue meeting through today in secret session to "narrow areas of differences."

The performance in Addis Ababa yesterday strongly suggests that the summit agenda contains a number of items that were drafted in very broad and vague terms, and that it will be left to the OAU heads of state themselves to come to grips with the difficult issues with which the badly divided African leaders will have to wrestle. The summit meeting is likely to be even more contentious now and could drag on longer than the scheduled two days. At this point, the OAU secretariat anticipates that only about 20 of the OAU's 46 heads of state will attend the summit and the remainder will be represented by stand-ins.

Representatives of the three Angolan nationalist groups are in Addis Ababa and one of the first issues that the summit conferees must resolve is what degree of participation they will be allowed. Before leaving for Addis Ababa, the "foreign minister" of the Luanda-based regime proclaimed by the Popular Movement for the Liberation of Angola issued a statement in which he ruled out any possibility of a reconciliation with the rival National Front for the Liberation of Angola and the National Union for the Total Independence of Angola.

Meanwhile, Nigeria has taken an even more uncompromising pro - Popular Movement stand on the eve of the summit. Nigerian Commissioner of External Affairs Colonel Garba declared Wednesday that Lagos would not support the formation of a government of national unity unless the Popular Movement itself initiated the move. Nigeria, he said, was going to the summit to convince other OAU members to recognize the Popular Movement as the sole legitimate government of Angola.

A Cuban delegation has arrived in Addis Ababa, headed by Havana's permanent UN representative. Although the Cubans will not be able to participate in the summit, they reportedly plan to lobby outside the meeting with African delegations to gain support and recognition for the Popular Movement. The Cubans will seek to justify their involvement in the Angolan conflict in terms of Havana's third world position and African heritage.

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THAILAND

Prime Minister Khukrit announced a new cabinet yesterday in a bid to co-opt politicians reportedly involved in the attempt to bring down his government.

The Social Agrarian Party has been brought into the United Parties coalition and given cabinet positions. To temper objections to this move by the Social Justice Party and the Social Nationalists, Khukrit expanded their roles in the government. Social Justice leader Thawit Klinprathum was named deputy prime minister and the Social Nationalists were given two additional portfolios.

Khukrit may have succeeded in buying off the involved parties for the time being, but the political maneuvering of the opposition is likely to continue. At Khukrit's own request, a special session of the National Assembly will reportedly convene on January 12, and the opposition will probably use the intervening time to work on politicians disgruntled by the reorganization. Despite Khukrit's new cabinet make-up, opposition politicians are going ahead with plans to debate the motion of no confidence.

In any case, the new coalition does not strengthen Khukrit's ability to handle the country's social and economic problems,

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ICELAND

The Icelandic government yesterday demanded a special NATO meeting to consider its grievances against the UK and threatened to break relations with London if British vessels continue to ram Icelandic patrol boats.

The government also announced that the director general of the Icelandic Foreign Ministry will visit all NATO capitals to present Reykjavik's case. Icelandic ambassadors to the US, Canada, and the UN are to be called home for consultations. The government intends to invite NATO Secretary General Luns to Reykjavik for discussions.

Meanwhile, former Icelandic prime minister Johannesson has said he wants to meet with the US ambassador in Reykjavik to discuss possible contingency plans to retain the US-manned NATO base at Keflavik if Iceland should withdraw from the alliance.

This is not the first time that Johannesson has expressed interest in a bilateral US-Iceland defense agreement, with provisions guaranteeing US assistance whenever "aggression against Iceland from any source" occurs. The ambassador expects Johannesson to outline the same kind of proposal at their meeting that he has made on earlier occasions.

Johannesson's proposal, as well as the government's latest decisions, are probably intended to pressure the US and other NATO members into using their influence with the UK to settle the fisheries dispute. Iceland took its dispute with the UK to NATO and the UN last month to protest an earlier ramming by a British ship.

Although emotions are running high in Iceland, and Reykjavik has used threats of a withdrawal from NATO to attract world-wide attention to the fisheries dispute, Icelandic leaders probably do not now consider withdrawal an imminent policy option. Prime Minister Hallgrimsson said earlier this week that withdrawal from NATO would be counterproductive inasmuch as most NATO members support Iceland in its dispute with the UK.

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NORWAY

Norwegian Prime Minister Bratteli is resigning today and will turn over the reins of the minority Labor government to his designated successor, Odvar Nordli.

The 65-year-old Bratteli, who has headed the government since 1973, had already stepped down as party chairman last April because of poor health and last September he announced his intention to leave the government ultimately.

Bratteli's resignation will probably lead to some cabinet changes, which are expected to be announced early next week. Among those affected may be Defense Minister Fostervoll, who may decide to step down. His successor would probably be parliamentary president Guttorm Hansen, a strong advocate of Norwegian membership in NATO.

Prime Minister - designate Nordli has been the Labor Party's parliamentary leader since the last election in 1973. A tough, pragmatic politician, he is strongly committed to international and Nordic cooperation, while at the same time convinced that membership in NATO remains vital to Norway's security.

Nordli's primary task will be to reverse the decline in the fortunes of the Labor Party. Although he will have nearly two years until the parliamentary elections in September 1977, most party members are pessimistic about the party's prospects. In local elections last September, Labor increased its share of the vote over what it received in the disastrous national elections of 1973, but lost control in Oslo and several other traditional urban strongholds. The local elections were only a partial success for the party and demonstrated Labor's failure to recoup the losses it suffered in 1973.

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EC-MEDITERRANEAN

Progress in trade negotiations between the EC and the Mediterranean states, resumed after almost a year's interruption, signals a major advance for the Community's goal of expanding EC trade and influence throughout the area.

The EC and Malta reached agreement on a preferential trade and aid accord on Christmas Eve. The EC and Tunisia agreed on a similar accord Wednesday, and agreements with Morocco and Algeria are expected shortly. Meanwhile, a second round of talks between the EC and three eastern Mediterranean states begins this month.

The EC concluded a preferential trade agreement with Israel last year, but negotiations with the three Maghreb states were held up by demands for greater EC concessions. An Italian dispute with Tunisia over olive oil and fishing rights—only recently resolved—and Italy's resistance to certain agricultural concessions granted the Israelis also had slowed down the talks.

The Maghreb agreements, two of which expand on existing arrangements, provide for preferential reductions in tariffs on industrial goods and on certain agricultural products. They would include new protocols on technical, financial, economic, and environmental cooperation, as well as provisions for equal treatment for migrant workers. The agreements should also include a non-discrimination clause prohibiting participating states from boycotting individual countries or firms that do business with Israel.

Under the new agreements, Morocco and Tunisia would benefit primarily from greater access to EC markets for their fruits and vegetables. Algeria is most attracted to the protocol on industrial cooperation, as well as the provisions concerning the export of Algerian wine and refined petroleum to the EC.

Malta's demand for more than \$30 million in financial assistance from the EC was the primary factor holding up its accord. The French, who were insisting that community aid should not exceed \$21 million, finally gave in to EC pressure and agreed on a compromise figure of about \$26 million in financial assistance—of which \$5 million will be in the form of grants.

The EC plans to begin a new round of negotiations this month with Egypt, which already has a preferential—but more limited—agreement with the EC, and with Syria and Jordan, which do not. Talks with Lebanon are also anticipated once the political situation there stabilizes.

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The Egyptians will probably seek a supplementary protocol on financial assistance. This could complicate negotiations. West Germany is insisting that any financial protocol with the Arab states of the eastern Mediterranean must be accompanied by a similar protocol with Israel. The French and the Irish are resisting any decision to provide the Israelis with financial assistance, arguing, in part, that the standard of living in Israel is higher than in three of the EC-member states.

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ANNEX

Torrijos Visit to Cuba

Panamanian Chief of Government Omar Torrijos departs tomorrow for a six-day visit to Cuba and his first meeting with Fidel Castro. Each man will try to use the meeting for his own—and sometimes conflicting—ends. Castro will be seeking support on such sensitive issues as Cuba's Angolan involvement and its promotion of Puerto Rican and Belizean independence. Torrijos will be trying to publicize Panama's struggle for sovereignty over the canal and reaffirm his revolutionary credentials without raising hackles in the US enough to damage prospects for eventual congressional ratification of a canal treaty. Recent visits by high-level emissaries between the two capitals attest to the importance of the visit for both.

Torrijos' Aims

Torrijos wants to give his domestic critics on the left something to cheer about. His government policies have recently taken a conservative turn, due in part to the country's continuing economic slump that dictates fence-mending efforts with the business community. He replaced the pro-union labor minister and proposed revisions in the heretofore sacrosanct labor code. Torrijos worries that in the absence of any visible progress in the treaty negotiations, the left could begin to focus on apparent revolutionary backsliding. Torrijos hopes that a public display of rapport with Castro will gain him time for more lengthy treaty negotiations and room to implement pro-business measures.

Torrijos departs for Cuba immediately after the commemoration of the anti-US riots on January 9, 1964. This year, the celebration will provide minimal outlet for the left. Some anti-US speeches can be expected, but Torrijos on the eve of his trip to Cuba will be avoiding any potentially embarrassing incidents by radical students who have sometimes criticized what they call his "pseudo-revolutionary" regime.

Increasing worldwide awareness of the canal issue is another primary objective. Torrijos has assiduously courted Third World support in the belief that this can be used to gain eventual US concessions in the treaty talks. As a result, he has not drawn such attention since the historic UN Security Council meeting in Panama in 1973, when he obtained a resolution calling for a solution to the dispute and forced a US veto. To ensure maximum media coverage in Cuba, Torrijos has included several leading US journalists in his party.

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Torrijos has held off visiting Cuba for several years, feeling that the impact might be prejudicial. His decision to go now attests to his greater self-confidence and stronger position at home.

Although he definitely does not wish to upset the treaty negotiations, his view of the canal talks will probably not inhibit him from taking a few public swipes at the US. On the whole, he is probably satisfied with the negotiators' progress thus far in moving toward conceptual agreement on major treaty issues. Nonetheless, he knows that consideration of a treaty draft by the US Congress is not likely for more than a year. Like other Latin American leaders, he harbors the strong suspicion that the US responds at least as well to pressures and threats as it does to friendship. He could conclude that expected domestic and international gains outweigh potential US reaction to statements he could justify in private as a political necessity.

Castro's Objectives

Castro will be using the visit to move further back into the hemisphere's mainstream. With this in mind, he will probably accept Torrijos' invitation to join other hemisphere leaders in the June celebration of the 150th anniversary of the first Pan-American conference. He is also likely to see support of Panama's cause in the treaty negotiations as a way to align himself with the rest of Latin America on a popular issue.

In return, Castro will be seeking Panamanian support for Cuban foreign policies. Chief among these are Cuba's commitment to the Popular Movement for the Liberation of Angola, support for Puerto Rican independence and Belizean self-determination.

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Trip Results

Aside from the expected rhetoric, several cooperation agreements—primarily in the fields of health, science, and agriculture—are likely. Cuban help in sugar

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cultivation would be exchanged for Panamanian aid in producing bananas. Bilateral cultural and sports programs will be expanded. A fishing cooperation agreement that would give the Cubans use of Panamanian facilities is a possibility. The new Latin American Economic System, the need for a new international economic order, and an end to colonialism—all favorite Latin American as well as Cuban themes—will receive strong support. But reports of Panamanian arms purchases and military assistance agreements, similar to those that arose when a Panamanian guard delegation visited Cuba last October, are almost certainly without foundation. Torrijos probably will find it difficult to avoid supporting Puerto Rican independence, however. There is only an outside chance that the communique would, even in oblique fashion, extend approval to Cuba's Angola involvement.

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